

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Buchanan	County Berrien
Fiscal Year End March 31, 2007	Opinion Date August 30, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

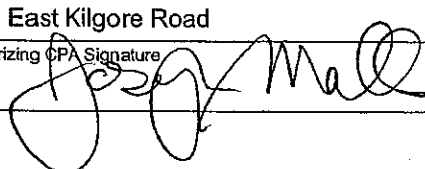
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

Township of Buchanan
Berrien County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Buchanan, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Buchanan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Buchanan, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Buchanan, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

August 30, 2007

BASIC FINANCIAL STATEMENTS

Township of Buchanan
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 973,982
Receivables, net	114,862
Prepaid expenses	<u>13,031</u>
Total current assets	<u>1,101,875</u>
Noncurrent assets:	
Receivables, net	169,132
Capital assets not being depreciated - land	124,188
Capital assets, net of accumulated depreciation	<u>1,199,970</u>
Total noncurrent assets	<u>1,493,290</u>
Total assets	<u>2,595,165</u>
LIABILITIES	
Current liabilities:	
Payables	88,701
Current maturities of long-term debt	<u>42,000</u>
Total current liabilities	130,701
Noncurrent liabilities:	
Long-term debt	<u>385,000</u>
Total liabilities	<u>515,701</u>
NET ASSETS	
Invested in capital assets, net of related debt	897,158
Restricted for:	
Public safety	186,000
Public works	10,964
Recreation and culture	76,581
Debt service	312,557
Unrestricted	<u>596,204</u>
Total net assets	<u>\$ 2,079,464</u>

See notes to financial statements

Township of Buchanan
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	Program revenues				Net (expenses) revenues and changes in net assets
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Functions /Programs					
Governmental activities:					
Legislative	\$ 5,460	\$ -	\$ -	\$ -	\$ (5,460)
General government	253,723	41,879	-	16,392	(195,452)
Public safety	189,634	48,012	-	-	(141,622)
Public works	39,830	899	4,721	-	(34,210)
Community and economic development	17,235	3,632	-	-	(13,603)
Recreation and culture	1,729	-	-	-	(1,729)
Interest on long-term debt	29,590	12,591	-	-	(16,999)
Total governmental activities	\$ 537,201	\$ 107,013	\$ 4,721	\$ 16,392	(409,075)
General revenues:					
					209,279
					240,369
					15,678
					53,411
					1,989
					520,726
					111,651
					1,967,813
					\$ 2,079,464

See notes to financial statements

Township of Buchanan
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
ASSETS					
Cash	\$ 573,999	\$ 165,516	\$ 146,922	\$ 87,545	\$ 973,982
Receivables	<u>76,152</u>	<u>5,982</u>	<u>201,860</u>	<u>-</u>	<u>283,994</u>
Total assets	<u>\$ 650,151</u>	<u>\$ 171,498</u>	<u>\$ 348,782</u>	<u>\$ 87,545</u>	<u>\$ 1,257,976</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 41,369	\$ 11,107	\$ 33,227	\$ -	\$ 85,703
Deferred revenue	<u>27,800</u>	<u>-</u>	<u>193,294</u>	<u>-</u>	<u>221,094</u>
Total liabilities	<u>69,169</u>	<u>11,107</u>	<u>226,521</u>	<u>-</u>	<u>306,797</u>
Fund balances:					
Reserved for building inspections	25,609	-	-	-	25,609
Unreserved	555,373	160,391	122,261	-	838,025
Unreserved, reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,545</u>	<u>87,545</u>
Total fund balance	<u>580,982</u>	<u>160,391</u>	<u>122,261</u>	<u>87,545</u>	<u>951,179</u>
Total liabilities and fund balances	<u>\$ 650,151</u>	<u>\$ 171,498</u>	<u>\$ 348,782</u>	<u>\$ 87,545</u>	<u>\$ 1,257,976</u>

Total fund balances - governmental funds \$ 951,179

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,324,158

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 13,031

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 221,094

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. (2,998)

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (427,000)

Net assets of *governmental activities* \$ 2,079,464

Township of Buchanan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
REVENUES					
Taxes	\$ 119,814	\$ 120,111	\$ -	\$ -	\$ 239,925
Licenses and permits	63,770	-	-	-	63,770
Intergovernmental	-	-	-	899	899
State grants	245,090	-	-	-	245,090
Charges for services	13,660	-	-	-	13,660
Interest and rentals	39,465	5,476	19,008	3,178	67,127
Other	26,197	792	24,162	-	51,151
Total revenues	<u>507,996</u>	<u>126,379</u>	<u>43,170</u>	<u>4,077</u>	<u>681,622</u>
EXPENDITURES					
Legislative	5,460	-	-	-	5,460
General government	241,601	-	-	-	241,601
Public safety	45,644	89,487	-	-	135,131
Public works	39,830	-	-	-	39,830
Community and economic development	17,235	-	-	-	17,235
Recreation and culture	-	-	-	70	70
Capital outlay	-	68,028	-	-	68,028
Debt service:					
Principal	41,000	-	70,000	-	111,000
Interest	9,447	-	30,400	-	39,847
Total expenditures	<u>400,217</u>	<u>157,515</u>	<u>100,400</u>	<u>70</u>	<u>658,202</u>
NET CHANGES IN FUND BALANCES	107,779	(31,136)	(57,230)	4,007	23,420
FUND BALANCES - BEGINNING	<u>473,203</u>	<u>191,527</u>	<u>179,491</u>	<u>83,538</u>	<u>927,759</u>
FUND BALANCES - ENDING	<u>\$ 580,982</u>	<u>\$ 160,391</u>	<u>\$ 122,261</u>	<u>\$ 87,545</u>	<u>\$ 951,179</u>
Net change in fund balances - total governmental funds					\$ 23,420
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.					
Add: Capital asset acquisitions					99,847
Deduct: Provision for depreciation					(83,057)
Changes in other assets:					
Net decrease in prepaid expenses					(654)
Long-term debt - principal payments					111,000
Changes in other liabilities:					
Net decrease in accrued interest					10,257
Net decrease in deferred revenue					(49,162)
Change in net assets of <i>governmental activities</i>					<u>\$ 111,651</u>

See notes to financial statements

Township of Buchanan

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

March 31, 2007

ASSETS

Cash	\$ <u>50,053</u>
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LIABILITIES

Due to other governmental units	\$ <u>50,053</u>
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See notes to financial statements

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Buchanan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 20 years
Shared road costs	20 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Special assessment recognition - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

viii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Building and grounds	\$ 32,848	\$ 35,272	\$ (2,424)
	Public works	Drains	100	3,978	(3,878)
	Community and economic development	Planning and zoning	15,850	17,235	(1,385)
Fire	Public works	Fire protection	67,312	89,487	(22,175)
	Capital outlay	Capital outlay	50,000	68,028	(18,028)

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 973,727	\$ 50,053	\$ 1,023,780
Cash on hand	<u>255</u>	<u>-</u>	<u>255</u>
	<u>\$ 973,982</u>	<u>\$ 50,053</u>	<u>\$ 1,024,035</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$768,702 of the Township's bank balances of \$1,113,874 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Total</i>
General	\$ 3,946	\$ 5,203	\$ -	\$ 67,003	\$ 76,152
Fire	-	5,982	-	-	5,982
Sewer Debt Service	-	-	201,860	-	201,860
Totals	<u>\$ 3,946</u>	<u>\$ 11,185</u>	<u>\$ 201,860</u>	<u>\$ 67,003</u>	<u>\$ 283,994</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,132</u>	<u>\$ -</u>	<u>\$ 169,132</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 124,188	\$ -	\$ -	\$ 124,188
Capital assets being depreciated:				
Land improvements	51,575	4,695	-	56,270
Buildings and improvements	787,955	-	-	787,955
Equipment	205,799	37,362	-	243,161
Vehicles	709,191	57,790	-	766,981
Subtotal	<u>1,754,520</u>	<u>99,847</u>	<u>-</u>	<u>1,854,367</u>
Less accumulated depreciation for:				
Land improvements	(2,526)	(1,597)	-	(4,123)
Buildings and improvements	(137,592)	(19,373)	-	(156,965)
Equipment	(145,187)	(28,288)	-	(173,475)
Vehicles	(286,035)	(33,799)	-	(319,834)
Subtotal	<u>(571,340)</u>	<u>(83,057)</u>	<u>-</u>	<u>(654,397)</u>
Total capital assets being depreciated, net	<u>1,183,180</u>	<u>16,790</u>	<u>-</u>	<u>1,199,970</u>
Governmental activities capital assets, net	<u>\$ 1,307,368</u>	<u>\$ 16,790</u>	<u>\$ -</u>	<u>\$ 1,324,158</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 11,468
Public safety	69,930
Recreation and culture	<u>1,659</u>
Total governmental activities	<u>\$ 83,057</u>

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Escrow</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 16,789	\$ 11,976	\$ -	\$ 12,604	\$ 41,369
Fire	2,537	8,570	-	-	11,107
Sewer Debt	<u>-</u>	<u>-</u>	<u>33,212</u>	<u>15</u>	<u>33,227</u>
Total	<u>\$ 19,326</u>	<u>\$ 20,546</u>	<u>\$ 33,212</u>	<u>\$ 12,619</u>	<u>\$ 85,703</u>

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2007, deferred revenues are as comprised of special assessments not considered to be available to match current expenditures.

NOTE 8 - LONG-TERM DEBT:

Long-term debt at March 31, 2007, is comprised of the following issues:

Note payable:	
\$380,000 note payable - mortgage for construction of new fire station, due in annual installments of \$30,000 to \$45,000 through November 2009; plus interest at 5.36%, payable bi-annually in April and November.	
	\$ 132,000
Contract payable:	
\$715,000 1996 limited tax general obligation sanitary sewer disposal and water distribution system serial bonds, due in annual installments of \$35,000 to \$50,000 through May 2015; plus interest at 5.0% to 5.8%.	
	<u>295,000</u>
Total long-term liabilities	<u>\$ 427,000</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

All debt is secured by the full faith and credit of the Township. Long-term liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
\$380,000 Note payable	\$ 173,000	\$ -	\$ (41,000)	\$ 132,000	\$ 42,000
\$715,000 Contract payable	<u>365,000</u>	<u>-</u>	<u>(70,000)</u>	<u>295,000</u>	<u>-</u>
Total notes and contracts	<u>\$ 538,000</u>	<u>\$ -</u>	<u>\$ (111,000)</u>	<u>\$ 427,000</u>	<u>\$ 42,000</u>

Debt service requirements at March 31, 2007, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2008	\$ 42,000	\$ 15,710
2009	80,000	20,982
2010	80,000	16,511
2011	35,000	12,035
2012	35,000	10,005
2013 - 2016	<u>155,000</u>	<u>19,285</u>
Totals	<u>\$ 427,000</u>	<u>\$ 94,528</u>

NOTE 9 - PENSION PLAN:

The Township provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$12,571 for the year ended March 31, 2007.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 48,012
Expenses	<u>45,644</u>
Excess of revenues over expenses	<u>\$ 2,368</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 25,609</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 131,166	\$ 131,166	\$ 119,814	\$ (11,352)
Licenses and permits	88,610	88,610	63,770	(24,840)
State grants	244,500	244,500	245,090	590
Charges for services	15,300	15,300	13,660	(1,640)
Interest and rentals	10,150	10,150	39,465	29,315
Other	25,000	25,000	26,197	1,197
Total revenues	<u>514,726</u>	<u>514,726</u>	<u>507,996</u>	<u>(6,730)</u>
EXPENDITURES				
Legislative	<u>5,877</u>	<u>5,930</u>	<u>5,460</u>	<u>470</u>
General government:				
Supervisor	20,381	20,381	18,197	2,184
Elections	6,190	6,668	6,767	(99)
Assessor	55,073	63,060	61,740	1,320
Clerk	25,944	25,944	25,506	438
Board of review	1,300	1,300	465	835
Treasurer	20,385	20,385	19,163	1,222
Building and grounds	31,295	32,848	35,272	(2,424)
Other	89,068	95,015	74,491	20,524
Total general government	<u>249,636</u>	<u>265,601</u>	<u>241,601</u>	<u>24,000</u>
Public safety - building inspections	<u>61,690</u>	<u>61,690</u>	<u>45,644</u>	<u>16,046</u>
Public works:				
Highways and streets	122,800	64,822	35,852	28,970
Drains	100	100	3,978	(3,878)
Total public works	<u>122,900</u>	<u>64,922</u>	<u>39,830</u>	<u>25,092</u>
Community and economic development - Planning and zoning	<u>6,850</u>	<u>15,850</u>	<u>17,235</u>	<u>(1,385)</u>
Capital outlay	<u>23,600</u>	<u>23,600</u>	<u>-</u>	<u>23,600</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	<u>41,000</u>	<u>41,000</u>	<u>41,000</u>	<u>-</u>
Interest	<u>3,000</u>	<u>9,447</u>	<u>9,447</u>	<u>-</u>
Total expenditures	<u>514,553</u>	<u>488,040</u>	<u>400,217</u>	<u>87,823</u>
NET CHANGES IN FUND BALANCES	<u>173</u>	<u>26,686</u>	<u>107,779</u>	<u>81,093</u>
FUND BALANCES - BEGINNING	<u>473,203</u>	<u>473,203</u>	<u>473,203</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 473,376</u>	<u>\$ 499,889</u>	<u>\$ 580,982</u>	<u>\$ 81,093</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 112,281	\$ 112,281	\$ 120,111	\$ 7,830
Interest	3,100	3,100	5,476	2,376
Other	<u>2,000</u>	<u>2,000</u>	<u>792</u>	<u>(1,208)</u>
Total revenues	<u>117,381</u>	<u>117,381</u>	<u>126,379</u>	<u>8,998</u>
EXPENDITURES				
Public safety	67,312	67,312	89,487	(22,175)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>68,028</u>	<u>(18,028)</u>
Total expenditures	<u>117,312</u>	<u>117,312</u>	<u>157,515</u>	<u>(40,203)</u>
NET CHANGES IN FUND BALANCES	69	69	(31,136)	(31,205)
FUND BALANCES - BEGINNING	<u>191,527</u>	<u>191,527</u>	<u>191,527</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 191,596</u>	<u>\$ 191,596</u>	<u>\$ 160,391</u>	<u>\$ (31,205)</u>

SUPPLEMENTARY INFORMATION

Township of Buchanan

COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2007

	<u>Special revenue funds</u>		<i>Total nonmajor governmental funds</i>
	<u>Mud Lake Bog</u>	<u>Sewer Replacement</u>	
ASSETS			
Cash	\$ 76,581	\$ 10,964	\$ 87,545
FUND BALANCES			
Unreserved, undesignated	\$ 76,581	\$ 10,964	\$ 87,545

Township of Buchanan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Mud Lake Bog</u>	<u>Sewer Replacement</u>	
REVENUES			
Intergovernmental	\$ -	\$ 899	\$ 899
Interest	<u>2,733</u>	<u>445</u>	<u>3,178</u>
 Total revenue	 2,733	 1,344	 4,077
 EXPENDITURES			
Recreation and culture	<u>70</u>	<u>-</u>	<u>70</u>
 NET CHANGES IN FUND BALANCES	 2,663	 1,344	 4,007
 FUND BALANCES - BEGINNING	 <u>73,918</u>	 <u>9,620</u>	 <u>83,538</u>
 FUND BALANCES - ENDING	 <u>\$ 76,581</u>	 <u>\$ 10,964</u>	 <u>\$ 87,545</u>

**Members of the Township Board
Township of Buchanan, Michigan**

In planning and performing our audit of the financial statements of the Township of Buchanan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Buchanan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Buchanan and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

August 30, 2007